COMMUNICATIONS ADVISORY COUNSEL LLC

2154 Wisconsin Avenue N.W.
Washington, D.C. 20007

Tel. 202-333-1770
Fax 202-333-5274

Stephen G. Kraskin
skraskin@Independent-Tel.com

September 27, 2013

***Via* Electronic Filing**
Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Notice of *Ex Parte* Presentation In the Matter of Connect America Fund WC Docket No. 10-90; Establishing Just and Reasonable Rates for Local Exchange Carriers WC Docket No. 07-135; High-Cost Universal Service Support WC Docket No. 05-337; Developing an Unified Intercarrier Compensation Regime CC Docket No. 01-92; and Federal-State Joint Board on Universal Service CC Docket No. 96-45

Dear Ms. Dortch:

Greg Berberich, Chief Executive Office of the Matanuska Telephone Association ("MTA") and I met on September 25, 2013 with the following members of the staff of the Wireline Competition Bureau: Carol Mattey, Amy Bender, Deena Shetler, Kalpak Gude, and Randy Clarke.

We expressed MTA's continuing concerns regarding the adverse impact on operational planning and investment in network infrastructure that has resulted from the uncertainty created by the Commission rules established in the *USF/ICC Transformation Order*. Mr. Berberich and I noted that the most recent July 26, 2013 Order issued by the Wireline Competition Bureau in WC Docket Nos. 10-90 and 05-337 has created additional uncertainty notwithstanding the one year exemption from the application of the Quantile Regression Analysis (QRA) that the Order provided for MTA and other Alaska rural incumbent carriers.

We urged that the Commission suspend the utilization of the quantile regression analysis and take additional actions to restore stability and predictability to the high cost support mechanisms for rural telephone companies. Mr. Berberich and I suggested that the Commission's overall universal service policy objectives would be better advanced if the Commission separated the consideration of the distribution of universal service support mechanisms for legacy investments from the consideration of distribution of support for additional investment required to provide and maintain universal service in the areas served by rural rate of return carriers.

In this regard, we urged the establishment of common-sense rational mechanisms that distribute both the support needed to recover legacy investments and the support necessary for new infrastructure investment needed in rural areas. We also addressed the importance of maintaining predictable and sufficient support mechanisms necessary for rural rate of return carriers to recover the operating expenses needed to provide universal services at reasonable rates in the high cost service areas they serve.

We also addressed several aspects of the Public Notice issued by the Bureau on May 16, 2013 in which the Bureau sought comment "on facilitating rate-of-return carriers' voluntary participation in Connect America Phase II." Specifically, in the Notice, the Bureau noted that rural carriers could opt into Connect America Phase II participation through conversion to price caps, and sought comment on whether creating a more explicit voluntary pathway to model-based support would be an additional way to promote efficient new broadband deployment in rural rate-of-return areas."

Mr. Berberich and I observed that in the past, the price cap conversion mechanism was developed to provide a balance that incorporated mutual benefit to both consumers and the carriers. For example, the initial conversion to price cap regulation incorporated a low-end adjustment mechanism to afford the carrier a "fail-safe" to provide for rate adjustments in the event that the carrier's earnings fell inordinately (pursuant to § 61.45(d)(1)(vii) of the Commission's rules). In more recent years, the price cap conversion process for individual carriers included a waiver that enabled the carrier to freeze its level of ICLS recovery subject to reductions related to line loss.

We suggested that the creation of "a more explicit voluntary pathway to model-based support" should incorporate provisions with similar objectives to these mechanisms that have been used in the past, but updated to address current operating realities. For example, we observed that a device similar to a low-end adjustment mechanism that was afforded to large carriers operating in dense urban areas is even more important to rate of return carriers serving rural high cost to serve areas. In rural less densely populated areas, market conditions are less likely to result in the growth of service demand that larger carriers may have reasonably anticipated in their more densely populated markets when they converted to price caps.

We also noted that the original low-end adjustment for the large carriers converting to price caps provided for access rate adjustments. In today's environment with switched access rates prescribed by the Commission subject to a phase-down, an upward adjustment of rates may not be a rational option to address the conditions that would trigger the need for a low-end adjustment. Mr. Berberich and I suggested that it might be more appropriate to address these conditions through an adjustment to the USF support provided to a rate of return carrier that elected a voluntary path to model-based support.

We also observed that the freezing of ICLS subject to reduction related to line loss might not be an appropriate part of a voluntary path to model-based support for rural rate of return carriers. As a result of the growing utilization of the loop for broadband access, the loss of a voice line may not likely reflect either any diminishment in the use of the loop or any reduction in the rural rate of return carrier's cost of providing universal service throughout its service area.

Accordingly, we suggested that consideration should be given to incorporating into a voluntary pathway to model-based support a freeze of both current ICLS and high cost loop fund support for the electing rate of return carriers. We discussed whether it would better advance universal service objectives to reduce the frozen amount in accordance with the retirement of legacy investment instead of reducing the frozen amount on a basis related to line loss, as the Commission has done with carriers recently converting to price caps.

Although Mr. Berberich and I did not set out a specific proposal to establish a voluntary pathway for rural rate of return carriers to model-based support, we asked that the Bureau consider the observations we provided. We urged that the Bureau continue to work with the rural industry to develop a viable option for the voluntary election of model-based support for rural carriers in a manner similar to the prior efforts of the Commission undertaken to work with large and mid-size carriers in the development of mechanisms for price cap conversion that provided both carrier incentives and consumer benefits.

I am filing this letter electronically with your office for inclusion in the record of each of the above-referenced proceedings pursuant to the Commission's Rules. If you have any questions, please do not hesitate to contact me at 202-333-1770.

Sincerely,

s/ Stephen G. Kraskin

cc: Carol Mattey, Amy Bender, Deena Shetler, Kalpak Gude, and Randy Clarke